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26 September 1958

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II. ASIA-AFRICA

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Lebanon: The leader of the Christian Phalange has stated that the Karame cabinet is unacceptable and indicated that efforts would be made to block its confirmation by Parliament on 30 September. Lebanese army headquarters states it intends to remove all barricades on 27 September. Army suppression of forays by Moslem extremists on 25 September has reduced tension in Christian quarters. [REDACTED]

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NO
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Cyprus-NATO: NATO Secretary General Spaak is making an 11th hour effort to forestall a possible sharp deterioration of relations within the alliance over the Cyprus dispute. He is pressing for postponement of the 1 October date for implementation of the new British plan for Cyprus and for an early conference of representatives of Greece, Turkey, Britain, and the Greek and Turkish Cypriots under the aegis of NATO. As a result of Spaak's surprise visit to Athens, Greece, probably with the approval of Archbishop Makarios, has accepted the proposal of a conference. [REDACTED]

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Kuwait: Kuwait's deputy ruler, Abdulla Mubarak, said in Cairo on 24 September that Kuwait is prepared to join the Arab League and contribute to an Arab Development Bank in the "very near future." This action may take place at the Cairo meeting of the league's political committee scheduled for 1 October. Britain is formally empowered to handle Kuwait's foreign relations, but in Arab affairs the Ruler, who feels that an accommodation with Nasir is necessary, has recently assumed an increasingly independent viewpoint. [REDACTED]

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India-USSR: The Indian minister of state for mines and oil left on 25 September for Moscow to seek additional oil-drilling equipment, presumably for exploiting a new Indian oil strike near Bombay. He may also explore the possibility of Soviet assistance for construction of a refinery in Bihar and [REDACTED]

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DAILY BRIEF

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will visit Bucharest to sign an agreement on Rumanian financial assistance for a smaller refinery in Assam. 25X1

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Burma: Rumors of an imminent coup by the army are snowballing in Rangoon, and tension among the people is mounting. While the American ambassador has no firm evidence which gives credence to these reports, he points to the danger that a grab for power might be touched off by some minor incidents in the highly charged atmosphere. 25X1

III. THE WEST

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Britain - Taiwan Strait: Britain has advised the US that it will inform the Chinese Nationalists it might be obliged to protect any British ships which are attacked while entering Amoy or Foochow. While London has advised British shipping to stay clear of the Taiwan Strait, the British say some ships insist on continuing to enter the two ports, and London is unwilling to abandon the principle of freedom of the seas. 25X1

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DAILY BRIEF

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Cuba: Members of a Cuban united front, which is associated with Fidel Castro's 26th of July movement, plan to meet in the rebel-held Sierra Maestra of eastern Cuba during the coming week to establish a provisional government. Castro has been considering the establishment of such a government, either in exile or in the "Free Territory of Cuba." [redacted]

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Peru: The bitterness of Peruvian reaction to the new US import quotas for lead and zinc marks the lowest point in many years in US-Peruvian relations. The cabinet's statement that if quotas are maintained it will seek "new international markets," and congressional demands for diplomatic relations with iron curtain countries, mark departure from Peru's long-standing policies in regard to the Soviet bloc.
[redacted]

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

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No
National Intelligence Estimate No. 89-58. The Venezuelan Situation and Prospects. 9 September 1958.
[redacted]

Special National Intelligence Estimate No. 100-11-58. Probable Chinese Communist and Soviet Intentions in the Taiwan Strait Area. 16 September 1958. [redacted]

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National Intelligence Estimate No. 12.6-58. The Outlook in Poland. 16 September 1958. [redacted]

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II. ASIA-AFRICA

Kuwait Developments

Kuwait, the largest Middle East oil producer, appears headed toward closer relations with Nasir. The statement by Kuwait's deputy ruler, Sheik Abdulla Mubarak, in Cairo on 24 September that Kuwait was prepared to join the Arab League and contribute to an Arab Development Bank in the "very near future," suggests that Kuwait may join the Egyptian-dominated league at the Cairo meeting of the league's political committee scheduled for 1 October.

The Arab League has been attempting to promote an Arab Bank for Economic Development, to which each member state would contribute funds on the basis of an assessment proportional to its income. Such a bank, in association with a strengthened Arab League, would also afford a means by which independent Arab states could be forced to acknowledge Nasir's foreign policy leadership and to contribute from oil revenues to UAR economic development without the need to change their political institutions. On 10 September, Lebanese politician Emile Bustani declared that the Ruler of Kuwait had expressed willingness to invest 5 percent of his annual oil revenues of about \$300,000,000 in an Arab Development Bank, although he was reluctant to be the first to do so. Other reports suggest that the Ruler has agreed in principle to invest a portion of his income in Cairo.

Although Britain is empowered by treaty to handle Kuwait's foreign relations, the Ruler, who considers that an understanding with Nasir would protect his interests, has in recent months conducted relations with the Arab states in an increasingly independent manner. After the Iraqi revolution in mid-July, the Ruler advised the British that he considered it necessary to appease radical Arab nationalism by joining the league. He is reported to have changed his mind subsequently. There is no available information to suggest that the British were consulted in connection with Abdulla Mubarak's recent Cairo statement.

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[REDACTED]

[REDACTED] The Kuwaiti nationalist press has also for the first time been permitted to direct sharp criticism against the Kuwait Oil Company, which is jointly owned by British and American interests. [REDACTED]

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India Seeks Additional Soviet Bloc Aid for Its Oil Industry

Soviet bloc participation in India's expanding oil industry will probably be increased. India's Minister of State for Mines and Oil K. D. Malaviya left on 25 September to explore in Moscow the possibility of obtaining more oil-drilling equipment and Soviet aid for a government-owned oil refinery to be built in Bihar State in eastern India. He plans also to visit Bucharest to sign an agreement for about \$18,000,000 in Rumanian financial assistance for a 750,000-ton refinery to be constructed at Gauhati, Assam State, in easternmost India.

The Indian Government now has four large drilling rigs of Soviet and Rumanian origin. A promising oil strike made in early September at Cambay, near Bombay city, is probably responsible for increased Indian interest in drilling rigs. A total of 110 Soviet and 10 Rumanian technicians are in India assisting in exploration and drilling operations.

New Delhi is also considering construction of a 2,000,-000-ton crude oil refinery at Barauni, Bihar State, to process oil produced in Assam State. Total cost is estimated at \$82,-000,000. The USSR has expressed interest in aiding the project, and New Delhi has requested that a study be made by Soviet experts. Malaviya presumably will explore Soviet willingness to finance foreign exchange costs of the refinery. Western countries have as yet shown no firm interest.

India on 28 August announced formation of a government-owned company with an authorized capital of \$63,000,000 to manage the two petroleum refineries.

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III. THE WEST

British Say They Will Protect Their Shipping in Taiwan Strait

Britain plans to inform the Chinese Nationalist Government that the British Navy might be obliged to protect British ships attacked in the Taiwan Strait area.

London has warned British shipping to keep clear of the strait and particularly Amoy and Foochow, but states that a few ships insist on asserting their right to enter the ports. While some British vessels have continued to enter Foochow since mid-August, none is known to have been in Amoy since 8 August.

The British demarche appears designed to warn the Chinese Nationalists to continue to avoid molesting British vessels, and to avoid Labor party charges that the government is less diligent in protecting traditional rights on the high seas against the Chinese Nationalists than against Iceland.

London has little evident desire to provide actual protection, and has only one frigate and three mine sweepers based at Hong Kong. A Foreign Office official stated on 19 September that all naval vessels had been ordered to stay out of the Taiwan Strait area unless needed to protect British ships in distress. Recent Chinese Communist threatening gestures in waters off Hong Kong would also make the British reluctant to move any naval vessels from there.

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Cuban Opposition Plans to Establish Provisional Government

Representatives of the Cuban opposition groups which subscribe to the Caracas unity pact, signed last July, plan to meet with rebel leader Fidel Castro in the Sierra Maestra of eastern Cuba during the next week and establish a provisional government under Manuel Urrutia, Castro's personal choice for president. Castro, who in practice dominates the opposition unity front, has long desired recognition as a belligerent and has previously considered establishing such a provisional government, either in exile or in the "Free Territory of Cuba"--the name applied by the rebels to the areas in Oriente Province under their control.

The move is being made primarily for propaganda purposes. The rebels are incapable of defending a permanent, stationary government against air attacks by Cuban Army Air Force planes, and any government they might establish would have to be loosely organized. The rebels have recently made efforts to set up civil government in some areas in Oriente Province and have established schools and hospitals, levied taxes--against US as well as Cuban enterprises--and set up some "government ministries." [REDACTED]

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[REDACTED]

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Bitter Peruvian Reaction to New US Lead and Zinc Quotas

Peruvian political parties and all shades of press opinion are in agreement in bitterly criticizing the new US quotas for lead and zinc, and the cabinet has decided to seek "new international markets" in the Soviet bloc if the quotas are maintained. Many congressmen endorse the search for markets and are also demanding diplomatic relations with the bloc. The American Embassy in Lima comments that US-Peruvian relations are at the lowest point in many years, and Ambassador Achilles has canceled a week's leave in the interior because of reports that the Communists plan to use his visit as a take-off for anti-US demonstrations.

The cabinet's action may be attributed in part to the political instability which has repeatedly threatened the administration's tenure during the past nine months. While the search for bloc markets is likely to mean little economically, it will be an abrupt departure from Peru's long-standing policies of opposition to the Soviet bloc.

The other major lead and zinc producers--Australia, Mexico, and Canada--were also critical of the quotas. The restrictions threaten a further loss of work in Australia's big lead and zinc mining centers, already affected by declining prices. Referring to the quotas, cabinet minister Spooner told the Senate on 24 September: "It will be a long time before Australia forgets."

Official Mexican reaction was mild, but the politically influential leader of the miners' union said that traditional inter-American friendship is being destroyed, and producing countries will be forced to find alternative and more profitable markets in nations with more understanding and firmer policies.

In Canada, Trade Minister Churchill reportedly told a press conference that Canada will protest restrictions as an

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infringement of GATT and seek US reconsideration of the
move.

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Chief of Staff, United States Air Force

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